

APEC Green Energy Finance Initiative

I. Objective

Concerning the increasing challenges of climate change and energy security, transformation to green economy is the policy norm for many countries worldwide. Renewable energy and energy efficiency investment have been surging due to the impact of green stimulus policies and measures. According to UNEP's research, the year of 2014 brought a rebound of green energy investment worldwide with a surge of a solid 17% to \$270 billion, even with sharply lower crude oil prices. This was mainly driven by the promotion of green energy in the Asia-Pacific region, especially by investment in solar and wind energy. In addition, according to IEA's data, investment in energy efficiency market is worth at least \$360 billion in 2012, which was higher than that in renewable energy and traditional fossil fuel power generation sector. This confirms the position of energy efficiency as the world's "first fuel."

Despite most APEC economies actively invest in green growth, there are still a lot of difficulties to maintain the growth pace of low carbon energy investment and to realize the investment level that satisfying the needs of green economy though. High upfront costs, the nature of capital intensiveness, the use of fossil fuel subsidy, and policy and regulatory factors have impact on the sustainability of renewable energy investment. As for energy efficiency, lake of dynamic pricing together with subsidy and information failure can impede energy efficiency improvement and the development of energy efficiency market. More supportive and stable policy and regulatory framework are needed to overcome the barriers in either developed or developing economies to ensure the financial

sustainability in renewable energy and energy efficiency fields, which will be positive for regional energy security.

In addition to sound public policy and effective regulatory system, flexible financing markets can nourish sustainable green energy investment while banks serve as important channels for investment in green economy from private sectors. In recent years, green financing has become consensus and development trend among banks globally, as Equator Principles have been adopted and followed voluntarily by dozens of banks to determine, assess and manage environmental and social risk in projects. Despite of the trend, most commercial banks are still somewhat reluctant to participate voluntarily in the green energy finance market because of the inherent uncertainty regarding returns and risks, insufficient information and knowledge over green energy industries, and difference of bankability of between green energy programs and general projects. Therefore, the design of financing mechanism tailored to energy efficiency and renewable energy is also of critical significance for the promotion of green energy investment.

Rapid industrialization in the Asia-Pacific region has resulted in enormous energy demand as well as created huge potentials of energy efficiency market. Coupling with the region's extraordinary renewable energy resource wealth, the region could be a big player in this global shift to low carbon economy and a hub of green energy investment, if the right policies are in place. In recent years, APEC has made great efforts in green energy trade and investment issues, including the "Survey of Major Impediments and Market Drivers to the Development of Trade in Goods that are Necessary for Climate Change Mitigation and Adaptation" advanced by Australia, "Reducing Trade Barriers for Environmental Goods & Services (Energy Efficient Products) in APEC Region"

conducted by Japan, and “Initiative of Capacity Building for Promoting Market Development of Green Energy Products” promoted by Chinese Taipei, which mainly focused on the elimination of trade barriers of environmental goods and services to pursue the improvement of trade environment of green energy. On the other hand, green energy financing issue which involve cross-cutting expertise of public policy, energy technology and industry, and financing were less addressed in the fora.

Therefore, to continue the momentum of energy trade and investment issues promoted in APEC, this initiative aims to provide a framework and platform for dialogue and cooperation specifically for green energy finance in the APEC region, as well as endeavors to promote the public private partnership in green energy finance. It will promote the experience sharing and knowledge dissemination with regard to the governance that improve the participation of banks and capital market in green energy finance, and the formulation of clear, stable and consistent policies and regulatory system. In addition, this initiative will seek dialogue with related international organizations and multilateral financial institutions to expand the scope of APEC cross-organizational cooperation to the development of green energy finance. In addition to the harmonization of green energy finance policies and dialogues between financial institutions within the region, this initiative will also strengthen the capacity building of green energy finance by means of exchange of experts, technology, product and services, in order to meet the needs of increasing green energy finance programs and related risk assessment. The ultimate goal of this initiative is to support the financial sustainability of renewable energy and energy efficiency to further ensure regional energy security and success of transformation to low carbon economy in the APEC region.

II. Background

The Beijing Declaration of 2014 instructed “the EWG *to continue cooperative activities within APEC, with other international and regional organizations, and with the private sector and other stakeholders*. Strong engagement and cross fora collaboration is needed to facilitate energy trade and investment, and ensure that energy contributes to the economic, social and environmental enhancement of the APEC community.” It also instructed “the EWG to work with the APEC Committee on Trade and Investment (CTI) and the APEC Business Advisory Council (ABAC) to identify significant barriers to APEC energy trade and investment and help member economies to improve their capacity in removing those barriers; and *to promote best practices and cases on joint clean energy development and investment*, improve the transparency and peer participation in policy making processes to ensure open, inclusive and coherent policies related to energy trade and investment in the APEC region.”

III. Work Plan

By means of workshops, information platforms, and research, the Initiative shall be advanced by interested economies to exchange experiences in promoting green energy finance to strengthen the capacity building of green energy finance in the fields of renewable energy and energy efficiency and to promote the public private partnership. Planned activities are as follow:

1. Promotion of information sharing

- Research studies on green energy investment and finance related policies to explore innovative models of green

energy finance.

- Workshop on APEC green energy finance to discuss finance issues in the fields of renewable energy and energy efficiency.

2. Dissemination of knowledge

- Exchange and personnel training and education of green energy finance in APEC region.
- Dialogue with international green energy organizations and financial institutions to strengthen the harmonization of green energy finance policies and practices.

3. Promotion of Public-Private Partnerships

- Establishment of broader engagement and dialogue between the governments, green energy industries, banks and financial institutions in the fields of green energy finance.